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Report Highlights:

During calendar year 2001, French wine imports from the United States continued to grow, reaching about 73,000 hectoliters. The bulk of this growth can be attributed to the efforts of large U.S. wineries, as well as promotional activities individually carried out by U.S. producers at events such as Vinexpo in Bordeaux, and the AgParis sponsored U.S. wine tasting in Paris. These events contributed to U.S. wine industry efforts to introduce a wide variety of American wines to French customers.

In the European Union (EU), France is still the leading world's wine producer with an annual production of 55.3 million hectoliters. France surpasses Italy which is the second largest EU wine producer. For 2002/03 marketing year, French wine production is estimated at 57.2 million hectoliters. French wine exports have suffered due to increased competition from "new world wines" even in France's major export markets such as the United Kingdom and Germany. Total French wine exports continue to decline due to global competition. But, with a budget of about \$9 million, France is engaged in marketing activities to promote exports of wines in different countries, including the U.S.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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EXECUTIVE SUMMARY

French imports of American wine increased 52 percent in volume and 60 percent in value over 1999-2001 period, reaching about 73,000 hectoliters valued at \$12.3 million. Still, French imports of American wines represent only 1.4 percent of total French wine imports. U.S. wines face strong competition within the European Union (EU) and France from domestic producers. However, the so-called "New World" (U.S., Chile, Australia, South Africa, New Zealand, and others) producers and emerging market producers are generating a lot of interest among French and EU consumers. The perceived "exoticism" and high quality of many of these wines and the increasing French demand for innovative foods and beverages support this experimentation. Despite the strengthening dollar, and competition, the increase in U.S. exports of wine to France is due in large part to the efforts of large U.S. wineries (Gallo and Mondavi) active in France now winning space on store shelves and on restaurant menus.

The European Union (EU) has 45 percent of the world's vineyard area, produces 63 percent and consumes 53 percent of the world's wine. France alone has 12 percent of the world's vineyard area, 21 percent of world's wine production and 16 percent of the world's wine consumption. EU wine production has evolved considerably since 1987 due to efforts to reduce crop area and control yields. Since 1988, vines have been uprooted with bonus paid by the EU to French wine growers for definitive cession of vines. Also, within the scope of the new COM a support for the restructuration and improvement of vineyards has been put into place.

Growth in trade and the EU's proposed expansion to include Central and Eastern European countries will intensify competition for exporters to the EU and among European producers themselves. The Government of France (GOF) has urged European growers to adapt to changing consumer demand in order to better compete with emerging third-country competitors and in new markets. This resulted in the creation of the European Community Market Organization (COM) to coordinate EU wine practices and production. The COM, since its creation in 1971, has redefined itself to adapt to changes in the world wine market (see Section III, paragraph 5).

The French Office for Wines and Vines (ONIVINS) had a budget in CY 2001 of 9.4 million Euros (\$8.4 million) for financing domestic and international promotional campaigns. About 44 percent of this budget is for overseas generic promotions to make French wine known or reinforce its image.

DEFINITIONS:

1. Appellation of Origin (AOC) wines: Certifies the wine's regional origin, manufacturing process, character, and alcoholic content. AOC wines must undergo taste tests by the French Institute of Appellations of Origin (INAO). Nearly 45 percent of French wines and spirits are designated AOC.
2. Superior Quality Wines (VDQS): Although less restrictive in taste tests than AOC wines, this also certifies origin, yields, etc. VDQS wines are also subject to taste tests as well.

3. VQPRD Wines (Quality Wines Produced in Determined Regions or Areas): This is a European classification that combines French AOC wines and VDQS wines.
4. Table Wines: Wines other than AOC and VDQS. These wines include country wines (*vins de pays*) which are regionally produced and are often of higher quality than ordinary table wines. They follow certain rules including analytical tasting, various specified controls, and no mixing of wines from different regions.
5. Up to Marketing Year 1999/2000, the period was from September 1 to August 31. Starting Marketing Year 2000/01, the period is August/July. Thus, MY 2000/01 is the period August 1, 2000 to July 31, 2001.
6. Average exchange rates:
Calendar Year 1999: USD 1.00 = FF 6.13
Calendar Year 2000: USD 1.00 = FF 7.11
Calendar Year 2001: USD 1.00 = FF 7.32 = 1.116 Euros
Average Jan-Oct 2002: USD 1.00 = 1.0756 Euros.

Source: International Monetary Fund (IMF)

SECTION I. SITUATION AND OUTLOOK

The 2001 wine crop (MY 2001/2002) amounted to 55.3 million hectoliters (MHL), 7.4 percent under the 2000 level (MY 2000/2001). Of total production, 25.6 MHL were VQPRD wines, 20.2 MHL table wines, and 9.5 MHL wines for cognac production. The decrease in the 2001 crop can be attributed to dryness and wind in certain regions. French production of VQPRD in 2001 was almost the same as in 2000, while table wine was down from 2000 due to continued vineyard improvement efforts (conversion of table wine into country wine and AOC wine). Also table wine sales decreased about 20 percent during MY 2001/2002, ending stocks increased by 7 percent (5 percent for VQPRD, and 12 percent for table wine) and crisis distillation support for a total of 800,000 HL was installed by the Government to balance the market. Experts forecast the 2002 wine crop (MY 2002/2003) to reach 57.2 MHL (26.2 MHL VQPRD wines, 21.2 MHL table wines and 9.8 MHL for cognac production).

During CY 2001, total French wine and spirits exports decreased by 2.8 percent in value to 7.4 billion Euros (\$6.6 billion), compared to CY 2000. Wine exports decreased by 3 percent in value, from 2001 level, to 5.3 billion Euros (\$4.7 billion), on exported volume of 15.2 million hectoliters. French wine exports face strong competition from new world wines. France's traditional export markets in the Northern countries of the European Union, the United Kingdom and Germany are being targeted by new world producers. However, France's major client countries remained the United Kingdom, Germany, Belgium/Luxemburg, the Netherlands, and the United States. Total French exports of wine to the United States represents 7 percent in volume of total French wine exports.

Total French wine imports during calendar year 2001 decreased 7 percent in volume to 5.1

million hectoliters, valued at 481 million Euros (\$431 million). Table wines represented 71 percent of total French wine imports in volume, mostly from EU countries. Italy and Spain remain France's leading suppliers. In 2001, imports of U.S. wine into France increased by 21 percent in volume and 15 percent in value compared to the previous year. Total U.S. market share is only 1.4 percent in volume, valued at 14 million Euros (\$12.5 million). However, it is interesting to note that French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 72,903 HL in 2001.

The reform of the Common Organization of the Wine Market (COM), as defined by the European Commission, took effect August, 2000, and marketing year 2001/2002 was an important step for the application of the COM Reform which includes financial support to wine growers to adapt their vineyards to new market conditions, uprooting of vines, distillation process for certain vineyards, etc. The new COM will continue to focus on wine quality, production management and maintaining traditional outlets, principally alcohol distillation. (More details about the new COM is in Section III, under Trade para. 5 of this report).

In Calendar Year 2001, France (ONIVINS and SOPEXA) had a total budget of 9.4 million Euros, or about U.S. \$9.0 million for export promotion of French wines in different countries, including the United States. But, domestic advertising focuses on regional wines, while international advertising promotes VQPRD wines.

The French Ministry of Agriculture forecasts the 2002 wine crop to be 57.2 MHL, up 3.4 percent from 2001. French customs officials indicated that during the period January-July 2002, French wine exports decreased 0.4 percent in volume and increased 7.7 percent in value from the same period in 2001, amounting to 2.6 billion Euros (\$2.3 billion). The increase in value exports can be attributed to a growth in demand for champagne while exports of still wines, both VQPRD and table wines, decreased.

During the first six months of 2002, France's major clients were the United Kingdom, Germany, Belgium, the Netherlands and the United States, representing 62 percent of the total export volume; however, exports of wine to Japan and Switzerland decreased 2 and 6 percent, respectively.

SECTION II. STATISTICAL TABLES

PSD Table						
Country	France					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
TOTAL Grape Crush	0	77500	0	72000	0	67500
Begin Stock (Ctrl App)	20884	16949	22134	47296	46490	46490
Begin Stock (Other)	6197	6197	9433	27042	40556	40556
TOTAL Beginning Stocks	37086	58166	58166	74609	75545	87046
Prod. from Wine Grapes	62935	59741	59741	55339		57200
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	62935	59741	59741	55339	0	57200
Intra-EU Imports	5025		4859			
Other Imports	510	566	565	590	0	578
TOTAL Imports	5535	5507	5424	4668	0	5087
TOTAL SUPPLY	105556	123414	123331	134616	75545	149333
Intra-EU Exports	10777	11462	11447	9709	0	10585
Other Exports	4069	4052	4255	5794	0	4923
TOTAL Exports	14846	15514	15702	15503	0	15508
Dom.Consump(Cntrl App)	16271	19167	16433	16540	0	16650
Dom.Consump(Other)	16273	14124	15651	15527	0	15840
TOTAL Dom.Consumption	32544	33291	32084	32067	0	32490
End Stocks (Cntrl App)	31371	47567	40970	46490	0	51925
End Stocks (Other)	26795	27042	34575	40556	0	49410
TOTAL Ending Stocks	58166	74609	75545	87046	0	101335
TOTAL DISTRIBUTION	105556	123414	123331	134616	0	149333

Source: French Office for Wines and Vines (ONIVINS) and
French Customs/French Center for External Trade (CFCE)

2. Trade Matrices

Import Trade Matrix			
Country	France		
Commodity	Wine		
Time period	Jan-Dec.	Units:	1,000 HL
Imports for:	2000		2001
U.S.	60	U.S.	73
Others		Others	
Italy	3284	Italy	2428
Spain	1108	Spain	1515
Portugal	361	Portugal	359
United Kingdom	106	Chile	105
Germany	71	United Kingdom	83
Chile	74	South Africa	72
Morocco	i	Australia	72
Turkey	42	Germany	80
South Africa	48	Tunisia	62
Australia	48	Morocco	61
Total for Others	5142		4837
Others not Listed	261		231
Grand Total	5463		5141

Export Trade Matrix			
Country	France		
Commodity	Wine		
Time period	Jan-Dec.	Units:	1,000 HL
Exports for:	2000		2001
U.S.	1136	U.S.	1049
Others		Others	
Germany	3060		2977
United Kingdom	2842		3204
Belgium/Lux.	1708		1702
Netherlands	1493		1530
Denmark	734		696
Canada	617		636
Japan	547		616
Switzerland			658
Total for Others	11001		12019
Others not Listed	2709		3170
Grand Total	14846		15189

Source: French Customs/CFCE

3. Price Table:

**Wine Price Evolution and Retail Sale Prices
From 1997 to 2001**

Wholesale Prices Index					Retail Price in USD/liter	
Years	Table Wines	VQPRD Wines	Sparkling Wines	Total	Alcoholic content of 11% by volume	Alcoholic Content of 12% by volume
1997	116.2	119.1	103.4	114.9	1.31	1.47
1998	100.6	102.7	102.1	102.1	1.32	N/A
1999	105.9	109.6	98.8	114.5	1.30	N/A
2000	104.2	100.8	110.4	102.2	1.13	N/A
2001	105.6	102.3	112.0	103.9	1.25	N/A

Note: All above indices are current

N/A = Not Available

Source: INSEE

4. Tariff Table:

Taxes on Wines Imported into France from Outside the EU

HTS Codes (*)	Types of Wines	EU Customs Duties (EURO/HL)	French Transportation Tax (EURO/HL)	French Value Added Tax (TVA)
22 04 10	Sparkling wines	32.00	8.40	19.6%
22 04 21	Volume of still wines with alcoholic content not exceeding 13%: - in containers holding 2 liters or less	13.10	3.40	19.6%
22 04 21	- In containers holding more than 2 liters	9.90	3.40	19.6%
22 04 29	Volume of still wines with alcoholic content above 13% but not exceeding 15%: - In containers holding 2 liters or less	15.40	3.40	19.6%
	- In containers holding more than 2 liters	12.10	3.40	19.6%

Footnotes: (*) Harmonized Tariff Schedule

HL = Hectoliters

EU customs duties are calculated as a percentage of the ad valorem value of the product. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines under 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

Production

1. General Production

Based on most recent data published by the French Ministry of Agriculture's census (CY 2000), France has 143,960 wine growers cultivating a total area of 883,660 hectares of vineyards for wine production. About 42 percent of French vineyards are devoted to VQPRD wines. France represents 26 percent of the European Union's vineyard area and 12 percent of the world's vineyard area. In the European Union, Spain has the largest area under vines, followed by France and Italy.

In 2001, France was the largest European producer immediately followed by Italy and Spain. France's share of total world wine production is about 20 percent while the United States represents about 17 percent of the total world production.

The three largest French wine producing regions--Languedoc-Roussillon, Aquitaine, and Provence/Alpes/Cote d'Azur--accounted for 61 percent of total French wine production in 2001. French vineyards made up 17 percent of all harvested agricultural areas, compared to 15.8 percent in Spain and 11.9 percent in Italy.

The 2001 wine crop (MY 2001/2002) amounted to 55.3 MHL, a volume decrease of 7.4 percent compared to 2000 with homogeneous quality. Heavy rains in Spring, followed by high temperature at the beginning of Summer favored the evolution of the flowering. However, at the end of August the dry and hot weather resulted in a reduced crop without altering the quality.

As of MY 2001/2002, the financial assistance provided by the GOF to the French wine growers of ordinary table wine in an effort to improve the quality of their vineyards was taken over by the new European Community Market Organization (COM). The European Union support for the uprooting of marginal vines targeted a maximum of 683 hectares in MY 2001/02 and was supported by the new COM. The bonus paid to wine growers for this marketing year for the uprooting of vines amounted to 9,147 Euros per hectare (\$8,196/ha), or a total amount of 6 million Euros (\$5.3 million).

2. Crop Area and Yields

In 2001, on a total planted area of 883,660 hectares, the French average yield was 61.45 hl/ha, compared to 68.5 hl/ha in 2000, or a decrease of ten percent.

3. Production Policy and Government Support

- EU Export Subsidies and World Trade Organization (WTO) Agreements on Wines

Table wines and liquor wines without appellation, as well as concentrated grape, can benefit from EU export subsidies. This subsidy, however, is granted only for export to certain countries and the wines involved are subject to specific analyses and agreements. During CY 2001, the volume of French non-AOC wine exported with EU export subsidies amounted to 136,613 HL, and the amount paid by ONIVINS was 1.39 million Euros (\$1.24 million).

The EU agreements under the WTO implemented on July 1, 1995 called for a reduction in the volume of subsidized wine exported by 21 percent, and in the value of wine subsidies by 36 percent. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines under 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

Consumption

French Wine Consumption by Category
For Marketing Years 1999/00 and 2000/01
(In 1,000 HL)

Wine Category	1999/00	2000/01
VQPRD Wines	16,271	16,433
Table Wines	16,273	15,651
TOTAL	32,544	32,084

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

Per Capita French Wine Consumption by Category
For Marketing Years 1999/00 and 2000/01
(liters)

Category of Wines	1999/00	2000/01
VQPRD Wines	27.7	27.7
Table Wines	27.7	26.5
TOTAL	55.4	54.2

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

French per capita wine consumption has been decreasing from 103 liters in 1980 to reach 54 liters in 2001. French consumers are moving from quantity to quality. A study commissioned by ONIVINS and conducted by the French Consumer Panel (SECODIP) indicates that among alcoholic beverages, wine is preferred by seniors, while younger drinkers prefer more exotic drinks.

On February 2002, ONIVINS and the French Institute for Agricultural Research (INRA) presented at the wine trade show Vinisud, the study in wine consumption and French consumers attitude. The study indicated that consumers under 35 years old (23 percent of total French households) 88 percent bought at least once a still wine and 48 percent bought at least once a sparkling wine. This age group buys less than the seniors. Consumers from 35 to 49 years old (30 percent of French households) make 25 percent of wine purchases. They purchase still white and sparkling wines (except champagne) in larger quantities than any other age group. The 50-64 years old group is the leading buyer of wine in all categories with a preference for red wines. The 65 years old and over consumer group represents with the 50-64 years olds 47 percent of the total French households and are the leading buyers of still wines consisting mostly of table wines. The 50-65 years old and over consumers are also the major consumers of champagne consuming 11 percent above average consumption level.

The study also indicates that the share of foreign wines in French consumers purchases remain stable, currently representing 2.3 percent of the total purchases in volume and 1.5 percent in value.

Trade

1. Exports

In 2001, the total value of French wine exports decreased by three percent from 2000 to 5.4 billion Euros (\$4.8 billion). French wine exports for 2001 reached 15.2 MHL, 27 percent of total French wine production, a decrease in export volume of 1.3 percent compared to the previous year. The trade surplus in wine for calendar year 2001 was 4.9 billion Euros (\$4.4 billion), a decrease of 3.4 percent over the previous year. Wine exports decrease is attributed both to the rapid rise in French wine prices since 1997 and the penetration of "new world wines" in Europe, mainly the United Kingdom and Germany.

VQPRD wine exports in 2001 decreased in volume (-2.8 percent) and 0.4 percent in value, compared to 2000. The growth in French wine prices since 1997 and the increase of "New World" wine sales in Europe stopped in 1999 the increase of 5-years volume sale of French exports. The decrease in French export volume is preoccupying but not sufficient to explain the production surpluses. Champagne exports which sold good in 1999 for the celebration of year 2000, remain stagnant, VQPRD wines and table wine exports remain stable, mainly red in bulk due to lack of demand principally from Germany and Belgium. The EU's share of all French exports is 72 percent in volume and 59 percent in value. Within the EU, France's major clients are the United Kingdom, Germany, Belgium and the Netherlands. Major non-EU export markets for VQPRD wines are led by the United States followed by Japan, Switzerland and Canada.

2. Imports

The value of French wine imports in 2001 amounted to 476 million Euros (\$426 million). In 2001, total French wine imports decreased by 15 percent in volume compared to the previous year (VQPRD wine imports, mostly from the EU, decreased by 21 percent and table wines 15 percent). Most of the decrease in French wine imports are for red wines VQPRD and table wines. France's top suppliers remain Italy, Spain and Portugal.

In 2001, French imports from the United States continued to reach 72,903 hectoliters (+21 percent in volume over the previous year). It is interesting to note that the French imports of U.S. wines have increased 52 percent in volume over the period 1997-2001. This increase can be attributed to the presence of Gallo Winery in this market since 1998. Gallo is very active and is winning space on store shelves in the retail sector and restaurant menus in the food service sector.

3. Domestic Support and Impact on Trade

The GOF subsidizes the wine sector through the French Office for Wines and Vines (ONIVINS). ONIVINS's total budget in CY 2001 was 77 million Euros (\$69 million); from this amount 51 million Euros (\$46 million) went to orientation and intervention expenses; 25 million Euros (\$22 million) to operational expenses, and 1 million Euros (\$1 million) to working capital.

ONIVINS also administers and implements EU subsidies. During CY 2001, EU subsidies allocated to the French wine sector included export refunds and assistance earmarked for vineyard restructuring, distillations, and grape juice fortification. During CY 2001, 21 million Euros (\$19 million) were allocated to wine growers for restructuring and renovating vineyards by uprooting old vines and planting new ones.

4. European Community Market Organization (COM) and French Aid for Vineyard Improvements

The major lines of the Wine Community Market Organization Reform (COM) were validated by the European Union Agricultural Ministers in March 1999 under "Agenda 2000" and implemented by regulation no. 1493/1999 of May 17, 1999. The COM in force was dating back to 1987, with a reform project which failed in 1994. The new COM coordinates EU wine practices and production, carries out reforms involving wine to help the EU wine industry adapt to new market conditions. This project will simplify former legislation by:

— Replacing current distillations (preventive, mandatory or support) with a more flexible system that will address such "crises" as overproduction. The preventive distillation will be replaced by a certain distillation that will supply alcohol and products made from wine (vinegars and aromatized wines).

— Modifying the EU's system of planting and uprooting vines.

— Having the EU reimburse wine growers for losses resulting from reconversion, uprooting or planting. However, purchases of new equipment will be financed both by Brussels and the producer.

The EU Regulation which supports vine uprooting (originally Regulation 1442/88 CEE) has been maintained under certain conditions with no annual quotas per Member State. France has obtained for each marketing year to fix the areas and vines which can benefit from the uprooting support. Thereby, during MY 2001/2002, 683 hectares were definitively abandoned for a total amount of 6.2 million Euros (\$5.5 million), or an average price paid to producers for definitive abandon of 9,147 Euros/ha (\$8,196/ha).

MARKETING

1. Infrastructure and Distribution

Wholesalers and importers make up France's wine distribution system. Wholesalers frequently sell to specialized wine stores, food stores, restaurants and institutions. Importers sell to supermarkets. Mail order sales are generally made directly by the producer. Supermarket wine sales in France make up 78 percent of household wine purchases (14 percent for hard discounters), while 22 percent come from specialized wine sales (wine stores, direct sales, etc.).

According to SECODIP, in 2001, total still wine sales in French supermarkets, including foreign wine sales, was estimated to 3 billion euros (\$2.7 billion), from which VQPRD wines represented sales of \$2 billion. Total wine consumption in 2001 reached 32 MHL, of which restaurants, hotels and cafes accounted for 11 MHL, and homes 21 MHL. Of the 21 MHL of wine consumed in homes, 11 MHL were purchased in supermarkets and the rest in specialized stores or directly from wine growers.

In 2001, total sales of foreign wines in supermarkets increased by 12 percent in volume over the previous year. Foreign wines selling the best are from Spain, followed by Morocco, Algeria, Italy and finally "new world" wines (California, Argentina, Chile, South Africa and others).

2. Policy: Safety Laws and Labeling

-- The Impact on French Wine Consumption of the Evin Law, and other Regulations Against Alcohol

In 1992, the GOF instituted regulations that limited radio and TV advertisements promoting alcohol. These regulations were called Loi Evin (the name of the French Minister for Social Affairs at that time). These regulations were followed by two additional decrees in 1993 which regulate advertising at point of sale and for event sponsorship. As of to date, these regulations are still in force and the French wine industry continues to lobby for the GOF to modify the Evin law.

In addition, ONIVINS has conducted several studies to better understand the effects of moderate wine consumption on health. These studies show that moderate consumption has health benefits. It is difficult to measure the impact of the Evin law, since the French wine consumption began to drop even before 1992.

-- Labeling Regulations

Labels on U.S. wines exported to France must include:

- ! Net contents of the bottle, in milliliters, centiliters or liters.
- ! Name and address of the French importer preferably printed on the main label. However, small stick-on labels can also be applied by the French importer.
- ! The wine's alcohol content.
- ! Indication of manufacturing lot.
- ! Indication of country of origin.

EU labeling regulations allow the US government-authorized indication of two vine varieties for table wines provided the wines are exclusively from those vines. All varieties should be listed using the same print and field of vision, the most important variety topping the list. The label must indicate geographic origin.

In addition, imported wine must meet regulations on oenological practices and processes stipulated in EU Regulation 822/87, published in the EU Official Journal L 83 dated March 27, 1987. EU Regulation 2390/89 requires that wines be accompanied with analytical bulletins.

The EU is still working on a new wine accord with the United States that will cover issues such as oenological practices, protection of geographic indications, labeling, etc. To date, no text has been issued.

3. France Market Development Activities

Public assistance for domestic and international promotion of wines and spirits comes from the French national market promotion agency (SOPEXA) which has actively promoted French food products and wines in EU and overseas markets.

During CY 2001, ONIVINS had a budget for financing international promotional campaigns of French wines of 8.6 million Euros, or about US \$8.0 million. The GOF and inter-professional organizations underwrite this budget.

Promotional activities funded by ONIVINS focused on advertising campaigns, promotional materials, in-store promotions in specialized outlets, hotels, restaurants, as well as fairs and trade shows. New promotional activities were also conducted in 2001, including qualitative studies, reinforcement of advertising campaigns, educational programs and in-store promotions, not only in the EU (35 percent of the budget), but also in North America, Japan and in emerging markets (Eastern Asia and Central and Eastern Europe countries). SOPEXA promotes the image of the "French Style of Living" and "French Cooking" through "French weeks" in foreign restaurants, including wine waiter contests.

4. Competitor Programs/Activities

Nearly all of the other EU countries conduct some form of market promotion in France. Wine is commonly promoted through participation in trade shows as well as public and trade advertising and supermarket promotions. Countries that do not have export promotion agencies often use their local embassies or French importers to conduct their promotion. Non-EU countries promoting wines in France include South Africa, Chile, Argentina, the United States, Australia,

and more recently New Zealand and Bulgaria.

5. U.S. Market Opportunities

Most of the American wines sold in France are Cabernet Sauvignon, Chardonnay, Zinfandel and Pinot Noir from California. U.S. wines in France face strong competition from domestic producers, and from France's leading EU suppliers (Italy, Spain and Portugal), as well as Australia, South Africa, Argentina and Chile. Central and Far Eastern wine producers are now emerging and should be considered as future competitors. However, there are market opportunities for U.S. wines in France, thanks in part to the "exoticism" and quality of U.S. wines, and also to the promotional efforts of Office of Agricultural Affairs at the American Embassy and the many American restaurants in Paris.

E&J Gallo has been present in France since 1998 and has contracts with most major French retailers (Carrefour, Auchan, etc.). Gallo is also selling to restaurants in France and Europe as well as in wine stores. Since May 2000, Mondavi wines were also introduced in France through a leading importer/distributor.